

Decision 02-06-054 June 27, 2002

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of California-American Water Company (U-210-W), a California Corporation, for an Order Authorizing an Addition to its Main Extension Rule, Rule 15, to Establish a Dry Creek Developers Special Facilities Fee for an Undeveloped Portion of its New West Placer County Service Area.

Application 02-02-030  
(Filed February 28, 2002)

**OPINION APPROVING SPECIAL FACILITIES FEE**

**Summary**

This decision authorizes California-American Water Company (CalAm) to establish a special facilities fee for developers in the Dry Creek area of its West Placer County water service area.

**Discussion**

CalAm proposes to establish a Dry Creek Developers Special Facilities Fee Area within its West Placer County service area. Dry Creek is currently undeveloped, but it is in the advanced stages of planning for development and phased construction of approximately 18,000 new single-family homes and supporting commercial and public facilities.

Under CalAm's currently applicable Main Extension Rule 15, developers must advance or contribute<sup>1</sup> the full costs of main extensions and supporting special facilities required to serve their planned developments. "Special facilities" in the context of Rule 15 refers generally to storage, pumping, and safety capacity facilities needed to serve future new customers from a main extension. The first developer in a given area is typically required to advance or contribute the full cost of the main extension and special facilities supporting its development and any additional common facilities that will be needed at full build out. Any subsequent developer who makes use of those facilities compensates the first developer for a proportionate share of their cost.

In a planned development area as large as Dry Creek, the first developer to proceed would be faced with advancing the cost of shared facilities that must be greatly over-sized to serve both the customers it would bring on the system and those other developers would bring later. The first developer would eventually receive refunds as other developers arrive and advance or contribute their shares, but being first would nonetheless impose a significant financial burden. CalAm proposes to ease that burden in Dry Creek by substituting a uniform pay-as-you-go fee that would collect the estimated pro rata costs from each developer as it comes into the area. In D.99-05-015, the Commission endorsed a settlement agreement that included a similar fee for two California Water Service Company districts.

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<sup>1</sup> Advances for construction are subject to refund over a future period; contributions in aid of construction are not.

Special facilities, for purposes of CalAm's proposed special fee here, would not include the main extension proper; that would remain subject to CalAm's current advance and contribution requirements.

CalAm's Dry Creek fee would be \$750 per equivalent 5/8 x 3/4-inch service, and would apply to special facilities for main extensions serving subdivisions, tracts, housing projects, industrial developments, commercial buildings and shopping centers. It would not apply to end-user customers directly, only to developers. Fees collected would not be subject to refund. CalAm would treat the fees as contributions in aid of construction, and the plant as plant in service. Plant constructed with the facilities fees, and the associated rate base components, would be reduced from rate base for ratemaking purposes. CalAm has provided figures to show that its proposed fees would cover the net revenue requirements of the associated plant over the life of the facilities, and CalAm would propose future fee adjustments as necessary for any variation in the number of services or construction costs. It would maintain detailed supporting records to track fees received and the associated plant expenditures to facilitate making the appropriate ratemaking adjustments later.

CalAm's proposed fee would impact only a limited number of owners and developers. CalAm has identified the five developers presently involved in the first phase of development in the Dry Creek area, and each has been served a copy of the application. None has filed a protest.

The Commission's Office of Ratepayer Advocates (ORA) filed a limited protest. ORA has met with CalAm and believes CalAm presented a convincing argument for its proposal in Dry Creek. ORA agrees that none of the five developers involved has the financial wherewithal to fund the special facilities necessary for the entire area; and, that if the overall development were to be

delayed after the initial developer funded the special facilities needed for the entire area, that developer would be at risk. ORA would endorse CalAm's application provided that CalAm expressly assumed the risk of any delayed development and the Commission incorporated that provision into its order. CalAm filed a reply to ORA's limited protest in which it did agree to do so.

ORA would also have the Commission find that approval here should not be considered precedential.

After reviewing CalAm's application, the points in ORA's limited protest and CalAm's reply, we agree with CalAm and ORA. We will approve CalAm's proposal.

### **Procedural Considerations**

In Resolution ALJ 176-3083, the Commission preliminarily categorized this as a ratesetting proceeding, and preliminarily determined that an evidentiary hearing would not be necessary. There are no material facts in dispute, ORA's limited protest has been satisfactorily addressed, and there is no known opposition to granting the full relief requested. We conclude that it is not necessary to disturb our preliminary determinations.

This is an uncontested matter which pertains solely to water corporations. Accordingly, pursuant to Pub. Util. Code § 311(g)(3), the 30-day period for public comment does not apply.

### **Findings of Fact**

1. Dry Creek is in the advanced development stages for construction of approximately 18,000 new single-family homes and supporting commercial and public facilities.
2. Under CalAm's Rule 15, the first developer to proceed in Dry Creek would be required to finance shared water system special facilities that would be over-

sized to serve both the customers the first developer would bring on the system and those other developers would bring later.

3. Although the first developer in Dry Creek would eventually receive refunds as other developers arrive and advance or contribute their shares, being first would nonetheless impose a significant financial burden.

4. None of the five developers involved has the financial wherewithal to fund the special water facilities necessary for the entire Dry Creek area.

5. CalAm's proposed Dry Creek developer special facilities fee will ease the burden of being the first developer by substituting a uniform pay-as-you-go fee that will collect the estimated pro rata costs from each developer as it comes into the area.

6. CalAm has provided figures to show that its proposed special facilities fees will cover the net revenue requirement of the associated plant over the life of the facilities, and CalAm will propose future fee adjustments as necessary for any variation in the number of services or construction costs.

7. For future ratemaking purposes, CalAm will maintain supporting records of Dry Creek developer special facilities fees received, and of the associated plant expenditures.

8. CalAm will reduce from rate base for future ratemaking purposes all plant constructed with the facilities fees and the associated rate base components.

9. CalAm has agreed to assume the ratemaking risk its proposed Dry Creek developer special facilities fee may cause should development in the Dry Creek area be delayed.

10. CalAm has served a copy of the application on each of the five developer/owners presently involved in the first phase of development in the Dry Creek area. None has filed a protest.

11. CalAm has satisfactorily addressed the concerns ORA expressed in its limited protest.

12. There is no known opposition to granting the authorization requested.

### **Conclusions of Law**

1. The Commission's decision on CalAm's application is based on the specific circumstances presented for the Dry Creek area and should not be considered precedential for other, future proposals, which may present different circumstances.

2. A public hearing is not necessary.

3. The Application should be granted as set forth in the following order.

4. This order should be made effective immediately to allow CalAm to begin coordinating with developers in the Dry Creek area without delay.

## **O R D E R**

### **IT IS ORDERED** that:

1. California-American Water Company (CalAm) is authorized to implement a Dry Creek developer special facilities fee for its West Placer County service area. CalAm may file in accordance with the General Order 96 series and make effective on not less than five days' notice revised tariff sheets containing the proposed provisions included in Application 02-02-030, Exhibit C.

2. CalAm shall propose for Commission consideration any future fee adjustments necessary to account for any significant variation in the number of services or construction costs from those assumed in calculating the Dry Creek developer special facilities fee approved in this decision. Any such proposed adjustments shall require Commission approval before taking effect.

3. CalAm shall maintain supporting records of Dry Creek developer special facilities fees received, and of the associated plant expenditures.

4. Plant constructed with the facilities fees, and the associated rate base components, are to be reduced from rate base for ratemaking purposes.

5. CalAm shall hold ratepayers harmless from the consequences of this order by assuming any ratemaking risk its proposed Dry Creek developer special facilities fee may cause should development in the Dry Creek area be delayed.

6. Application 02-02-030 is closed.

This order is effective today.

Dated June 27, 2002, at San Francisco, California.

LORETTA M. LYNCH

President

HENRY M. DUQUE

CARL W. WOOD

GEOFFREY F. BROWN

MICHAEL R. PEEVEY

Commissioners